

CITY OF DOUGLASS, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2014

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Douglass, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglass, Kansas (City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly,

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Douglass, Kansas, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

George, Bowerman & Noel, P.A.

Wichita, Kansas
August 11, 2015

CITY OF DOUGLASS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

As management of the City of Douglass, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,863,351 (net position). Of this amount, \$163,585 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- At year-end, the governmental activities reported net position of \$1,356,762 and the business-type activities of the City reported net position of \$1,506,589.
- The City's total net position increased by \$170,128 which is comprised of an increase of \$42,463 for governmental activities and an increase of \$127,665 for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$168,023. Of this amount, the General Fund reported a fund balance of \$80,180, the nonmajor special revenue funds reported a total fund balance of \$2,244 and the Debt Service Fund reported a fund balance of \$17,408. The nonmajor capital project funds reported a total fund balance of \$68,191.
- At the end of the current fiscal year, total fund balance for the General Fund was \$80,180 or 12% of the total General Fund expenditures and transfers out for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation and other activities. The business-type activities include water, sewer and solid waste utility services.

The government-wide financial statements include not only the City itself, but also the Douglass Public Library, which is a legally separate entity for which the City is financially accountable. Financial information for the Douglass Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered a major fund. Data from the remaining 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 15 to 22 of this report.

Proprietary Funds – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and solid waste operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 23 to 27 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets exceeded its liabilities and deferred inflows of resources by \$1,356,762 as of December 31, 2014.

The largest portion of the City's net position (88%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, infrastructure and construction work in process), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF DOUGLASS'S NET POSITION

December 31, 2014

(with comparative amounts at December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 552,179	\$ 529,840	\$ 401,430	\$ 339,500	\$ 953,609	\$ 869,340
Capital assets	<u>1,328,299</u>	<u>1,302,213</u>	<u>2,504,558</u>	<u>2,589,919</u>	<u>3,832,857</u>	<u>3,892,132</u>
Total assets	<u>1,880,478</u>	<u>1,832,053</u>	<u>2,905,988</u>	<u>2,929,419</u>	<u>4,786,466</u>	<u>4,761,472</u>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Long-term liabilities	\$ 137,486	\$ 140,021	\$ 1,381,879	\$ 1,532,639	\$ 1,519,365	\$ 1,672,660
Other liabilities	<u>14,229</u>	<u>5,732</u>	<u>17,520</u>	<u>17,856</u>	<u>31,749</u>	<u>23,588</u>
Total liabilities	<u>151,715</u>	<u>145,753</u>	<u>1,399,399</u>	<u>1,550,495</u>	<u>1,551,114</u>	<u>1,696,248</u>
Deferred inflows of resources:						
Property taxes receivable	<u>372,001</u>	<u>372,001</u>	<u>—</u>	<u>—</u>	<u>372,001</u>	<u>372,001</u>
Net position:						
Net investment in capital assets	1,199,073	1,169,905	1,131,345	1,066,280	2,330,418	2,236,185
Restricted	87,843	81,509	281,505	233,319	369,348	314,828
Unrestricted	<u>69,846</u>	<u>62,885</u>	<u>93,739</u>	<u>79,325</u>	<u>163,585</u>	<u>142,210</u>
Total net position	<u>\$ 1,356,762</u>	<u>\$ 1,314,299</u>	<u>\$ 1,506,589</u>	<u>\$ 1,378,924</u>	<u>\$ 2,863,351</u>	<u>\$ 2,693,223</u>

The City's overall financial position has improved, with an increase in net position of \$170,128 for the current year compared to an increase of \$11,860 for the prior year. Of the current year net increase, an increase of \$42,463 can be attributed to governmental activities and the business-type activities reflect an increase of \$127,665. The balance of unrestricted net position of \$163,585 may be used to meet the City's ongoing obligation to citizens and creditors.

The net position of the business-type activities increased by \$127,665 for 2014. The net investment in capital assets increased by \$65,065 with depreciation reducing net capital assets by \$94,476 however, reduction in long-term debt of \$150,760 contributed to the increase in net investment in capital assets.

Analysis of the City's operations – The following table provides a summary of the City's operations for the year ended December 31, 2014 with comparative amounts for the year ended December 31, 2013.

CITY OF DOUGLASS'S CHANGES IN NET POSITION

Year Ended December 31, 2014

(with comparative amounts for the year ended December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 71,324	\$ 88,474	\$ 881,534	\$ 827,012	\$ 952,858	\$ 915,486
Operating grants and contributions	58,788	59,287	—	—	58,788	59,287
Capital grants and contributions	12	76,524	—	—	12	76,524
General revenues:						
Property taxes	437,239	433,620	—	—	437,239	433,620
Sales taxes	238,190	150,264	—	—	238,190	150,264
Franchise fees	68,132	63,342	—	—	68,132	63,342
Investment earnings	<u>796</u>	<u>1,332</u>	<u>—</u>	<u>75</u>	<u>796</u>	<u>1,332</u>
Total revenues	<u>874,481</u>	<u>872,843</u>	<u>881,534</u>	<u>827,012</u>	<u>1,756,015</u>	<u>1,699,855</u>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Expenses:						
General government	\$ 253,213	\$ 227,345	\$ —	\$ —	\$ 253,213	\$ 227,345
Public safety	132,667	163,816	—	—	132,667	163,816
Highways and streets	211,361	267,228	—	—	211,361	267,228
Health and sanitation	5,606	2,821	—	—	5,606	2,821
Culture and recreation	166,866	132,924	—	—	166,866	132,924
Economic development	482	84,155	—	—	482	84,155
Interest on long-term debt	6,597	7,597	—	—	6,597	7,597
Water	—	—	405,532	408,984	405,532	408,984
Sewer	—	—	255,176	259,273	255,176	259,273
Solid waste	—	—	148,387	133,852	148,387	133,852
Total expenses	<u>776,792</u>	<u>885,886</u>	<u>809,095</u>	<u>802,109</u>	<u>1,585,887</u>	<u>1,687,995</u>
Increases (decrease) in net position before transfers	97,689	(13,043)	72,439	24,903	170,128	11,860
Transfers in (out)	<u>(55,226)</u>	<u>(26,001)</u>	<u>55,226</u>	<u>26,001</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net position	42,463	(39,044)	127,665	50,904	170,128	11,860
Net position, beginning of year	<u>1,314,299</u>	<u>1,353,343</u>	<u>1,378,924</u>	<u>1,328,020</u>	<u>2,693,223</u>	<u>2,681,363</u>
Net position, end of year	<u>\$ 1,356,762</u>	<u>\$ 1,314,299</u>	<u>\$ 1,506,589</u>	<u>\$ 1,378,924</u>	<u>\$ 2,863,351</u>	<u>\$ 2,693,223</u>

Total revenues for the governmental activities increased by \$1,638 for the current year. The largest increase was in sales tax revenues, which increased by \$87,926. The additional 1% local sales tax became effective July 1, 2013, which attributed to this increased revenue source for 2014. Charges for services decreased by \$17,150 for 2014 and can principally be attributed to a reduction in swimming pool revenues of \$12,966 and a reduction in municipal court fines and fees of \$6,345. Operating grants and contributions decreased by only \$499 with special assessment collections decreasing \$1,799, however motor fuels tax allocations reflected an increase of \$1,300. Capital grants and contributions decreased by \$76,512 with the HOME Grant Program comprising \$76,312 of the decrease. Franchise fee revenues increased by \$4,790 for 2014. Investment earnings decreased by \$536 due to the continued low interest rates and reduced idle funds balances available for investment.

Total expenses for the governmental activities decreased by \$109,094, or approximately 12%, for 2014. General government expenses increased by \$25,868 for 2014. Public safety costs decreased by \$31,149 due to vacant positions in the law enforcement contract with Butler County. Highway and street expenses decreased by \$55,867 for 2014 as a result of decreased street maintenance and improvements. Health and sanitation expenses increased by \$2,785 and can be attributed to public health officer expense increases. Culture and recreation functional expenses decreased by \$33,942, which can be attributed to an increase in appropriations to the Library Board for 2014 of \$11,392 and increased park expenses for repairs and improvements of \$16,619 for 2014. Economic development functional expenses decreased by \$83,673 due to a reduction of HOME Grant expenses of \$76,312 and a decrease in expenses incurred for the Development Plan Project of \$13,181.

The business-type activity revenues increased by \$54,522 for 2014. The Water Utility Fund operating revenues increased \$27,645, the Sewer Utility Fund revenues increased \$20,553 and the Solid Waste Utility Fund revenues increased by \$6,324. The water utility base rate revenue structure was increased in February 2014 by approximately 4% and the customer consumption of water increased about 3% for 2014. The residential sewer rates were increased by approximately 10% in February 2014. The City's solid waste provided increased fees in May 2014, which required an adjustment to increase residential customer rates by approximately 2%. The solid waste service provider contract allows for an annual increase based on the change in the consumer price index plus an adjustment for landfill fees and increased fuel costs incurred by the provider.

The expenses for business-type activities increased only \$6,986 for 2014. The Water Utility Fund incurred a reduction of operating expenses of \$3,452 primarily due to reduced interest costs incurred on outstanding debt of the utility. Sewer Utility Fund operating expenses decreased \$4,097 primarily due to decreased interest costs of \$2,417 and commodity costs of \$6,572. Third party contract refuse service expenses reflect an increase in expenses of \$14,535, which includes commodities necessary for billing purposes.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$168,023. The General Fund comprised \$80,180 and the Capital Project funds comprised \$68,191 of the total combined fund balances at December 31, 2014. The Debt Service Fund had an ending fund balance of \$17,408 and the remaining nonmajor special revenue funds comprised the remaining \$2,244 of the total combined fund balances.

The General Fund is the primary operating fund of the City. At December 31, 2014, the unrestricted and total fund balance of the General Fund was \$80,180, which is an increase from the prior year of \$15,169. The increased local sales tax collections, which began July 1, 2013, attributed to the improved financial condition of the General Fund. As a measure of the General Fund's liquidity, the total fund balance represents approximately 12% of the total General Fund expenditures and transfers out for 2014 compared to 11% for the prior year.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water, Sewer and Solid Waste utility operating revenues increased \$54,522, or about 7%. Rate increases were initiated during 2014 for all three utility operations ranging from 2% to 10%. Unrestricted net position of the Water, Sewer and Solid Waste utilities were \$93,739 at year-end. The restricted net position for utility system improvements increased \$14,414 for 2014.

General Fund Budgetary Highlights – The General Fund total actual revenues were approximately 4% less than the total amount anticipated in the 2014 budget. Budgetary expenditures totaled \$693,027, which represented 92% of the budgeted expenditures for 2014. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$16,376 for 2014. The General Fund budgetary fund balance at year-end was \$56,515 with the 2015 budget anticipating a carryover balance of \$61,262.

CAPITAL ASSETS

The City's net investment in governmental activities capital assets as of December 31, 2014 amounts to \$1,328,299 (net of accumulated depreciation). The net investment in capital assets includes land, buildings and improvements, machinery and equipment and infrastructure (streets, sidewalks and drainage systems).

The City's net investment in capital assets for its business-type activities as of December 31, 2014 amounts to \$2,504,558 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- A new roof for City Hall at a cost of \$27,151.
- Christmas decorations at a total cost of \$5,715
- A new slide for the City Park at a cost of \$6,637.
- A new mower for the public works department at a cost of \$9,877.
- Street improvements totaling \$89,589.
- Sidewalk replacement and installation of handicapped ramps costing \$14,164.
- New hand held meter reading devices costing \$9,115.

Capital Assets at Year-End Net of Accumulated Depreciation December 31, 2014 (with comparative amounts at December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 124,937	\$ 124,937	\$ 140,984	\$ 140,984	\$ 265,921	\$ 265,921
Buildings and improvements	229,971	219,857	80,007	83,128	309,978	302,985
Improvements other than buildings	—	—	2,255,992	2,326,814	2,255,992	2,326,814
Machinery and equipment	53,792	48,588	27,575	38,993	81,367	87,581
Infrastructure	<u>919,599</u>	<u>908,831</u>	<u>—</u>	<u>—</u>	<u>919,599</u>	<u>908,831</u>
Total	<u>\$ 1,328,299</u>	<u>\$ 1,302,213</u>	<u>\$ 2,504,558</u>	<u>\$ 2,589,919</u>	<u>\$ 3,832,857</u>	<u>\$ 3,892,132</u>

Additional information on the City's capital assets can be found in Note 3 on pages 40 to 42 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt obligations outstanding of \$290,500 (including outstanding temporary notes of \$33,500), outstanding commitments under capital lease arrangements of \$54,506, notes payable to the Kansas Department of Health and Environment of \$974,515 and a contractual agreement with Butler County Rural Water District No. 6 in the amount of \$183,797. During 2014 the City retired \$20,000 of general obligation bonds and \$10,656 of capital lease obligations.

The City retired \$103,331 of principal on notes payable to the Kansas Department of Health and Environment during 2014. \$19,991 of the Rural Water District contract payable debt was retired during 2014.

Additional information on the City's long-term debt can be found in Note 4 on pages 42 to 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The annual budget is developed to provide efficient, effective and economical uses of the City's resources. The budget is the most important annual policy statement the elected officials can make. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The elected officials and appointed staff considered many factors when setting the fiscal year 2015 budget which impacts the property tax rate and fees that will be charged for business-type activities. The lack of any significant local economic improvements weighed heavily in the City Council's budgeting decisions. Those factors included the following:

- Maintaining competitive employee salaries and benefits to retain current employees and attract new employees when necessary.
- Maintaining appropriate revenue streams to allow for limited new debt and orderly debt reduction.
- Property tax revenues are budgeted with no increase with assessed values decreasing by \$89,172, or about 1%, resulting in a total mill levy increase of .692 mills.

In the 2015 budget, General Fund revenues are budgeted to decrease \$42,114 or 6% from the 2014 budget year. Expenditures are budgeted for 2015 at an increase of \$6,522, or less than 1%, from the 2014 level. Ad valorem property taxes account for approximately 37% of the revenue sources for the General Fund's 2015 budget. Certified assessed valuations, on which ad valorem property taxes are levied, decreased \$89,172 or about 1% from the preceding year assessed valuation amount, and totaled \$7,048,626 for the 2015 budget year. Although the City has increased carryover balances and local sales tax collections are projected at higher levels, the City Council has continued to take a very cautious approach to revenue estimating and expenditure appropriation. The City's total mill levy for the 2015 budget year was 55.415 mills as compared to 54.723 mills for the 2014 budget year. One mill equals \$1 for every \$1,000 of assessed valuation. In November 2012 voters of the City approved a 1% sales tax to be renewable every 7 years for the purpose of property tax relief. Collections from this newly initiated sales tax began in July 2013. This action brings the total local retailers sales tax rate to 2% for the City.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk/Administrator, at 322 South Forrest Street, P.O. Box 412, Douglass, Kansas 67039, or call (316) 747-2109.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DOUGLASS, KANSAS
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and investments	\$ 152,033	\$ 41,270	\$ 193,303	\$ 87,830
Receivables:				
Property taxes	372,001	—	372,001	—
Sales taxes	17,187	—	17,187	—
Franchise fees	6,478	—	6,478	—
Trade accounts	—	78,655	78,655	—
Prepaid items	4,480	—	4,480	—
Restricted assets	—	281,505	281,505	—
Capital assets:				
Land	124,937	140,984	265,921	—
Buildings	538,701	127,585	666,286	—
Improvements other than buildings	—	3,883,742	3,883,742	—
Infrastructure	1,938,667	—	1,938,667	—
Machinery and equipment	372,037	321,696	693,733	69,572
Less accumulated depreciation	<u>(1,646,043)</u>	<u>(1,969,449)</u>	<u>(3,615,492)</u>	<u>(34,455)</u>
Total assets	<u>1,880,478</u>	<u>2,905,988</u>	<u>4,786,466</u>	<u>122,947</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Liabilities:				
Accounts payable	3,039	2,163	5,202	29,940
Accrued payroll payable	4,636	5,949	10,585	—
Accrued interest payable	6,554	9,408	15,962	—
Noncurrent liabilities:				
Due within one year	13,882	192,135	206,017	—
Due in more than one year	<u>123,604</u>	<u>1,189,744</u>	<u>1,313,348</u>	<u>—</u>
Total liabilities	<u>151,715</u>	<u>1,399,399</u>	<u>1,551,114</u>	<u>29,940</u>
Deferred inflows of resources:				
Property taxes receivable	<u>372,001</u>	<u>—</u>	<u>372,001</u>	<u>—</u>
<u>NET POSITION</u>				
Net investment in capital assets	1,199,073	1,131,345	2,330,418	35,117
Restricted for:				
General government	200	—	200	—
Street improvements	1,774	—	1,774	—
Culture and recreation	270	—	270	—
Economic development	879	—	879	—
Capital equipment and improvements	67,312	—	67,312	—
Debt service	17,408	—	17,408	—
Water and sewer system improvements	—	281,505	281,505	—
Unrestricted	<u>69,846</u>	<u>93,739</u>	<u>163,585</u>	<u>57,890</u>
Total net position	<u>\$ 1,356,762</u>	<u>\$ 1,506,589</u>	<u>\$ 2,863,351</u>	<u>\$ 93,007</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for	Operating	Capital	Primary Government		Total	Component Unit
		Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General government	\$ 253,213	\$ 22,936	\$ -	\$ -	\$ (230,277)	\$ -	\$ (230,277)	\$ -
Public safety	132,667	27,129	-	-	(105,538)	-	(105,538)	-
Highways and streets	211,361	1,228	52,519	-	(157,614)	-	(157,614)	-
Health and sanitation	5,606	-	-	-	(5,606)	-	(5,606)	-
Culture and recreation	166,866	20,031	-	-	(146,835)	-	(146,835)	-
Economic development	482	-	-	12	(470)	-	(470)	-
Interest on long-term debt	6,597	-	6,269	-	(328)	-	(328)	-
Total Governmental Activities	<u>\$ 776,792</u>	<u>\$ 71,324</u>	<u>\$ 58,788</u>	<u>\$ 12</u>	<u>(646,668)</u>	<u>-</u>	<u>(646,668)</u>	<u>-</u>
Business-Type Activities:								
Water Utility	\$ 405,532	\$ 431,603	\$ -	\$ -	-	26,071	26,071	-
Sewer Utility	255,176	290,275	-	-	-	35,099	35,099	-
Solid Waste	148,387	159,656	-	-	-	11,269	11,269	-
Total Business-Type Activities	<u>\$ 809,095</u>	<u>\$ 881,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>72,439</u>	<u>72,439</u>	<u>-</u>
Component Unit:								
Douglass Public Library	<u>\$ 129,558</u>	<u>\$ 2,488</u>	<u>\$ 19,756</u>	<u>\$ 10,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,239)</u>
General Revenues and Transfers:								
General revenues:								
Property taxes levied for:								
General purposes					437,239	-	437,239	-
Sales taxes					238,190	-	238,190	-
Franchise taxes					68,132	-	68,132	-
Payment from City of Douglass					-	-	-	80,746
Grants and entitlements not restricted to specific programs					-	-	-	11,155
Investment earnings					796	-	796	54
Transfers in (out)					(55,226)	55,226	-	-
Total general revenues and transfers					<u>689,131</u>	<u>55,226</u>	<u>744,357</u>	<u>91,955</u>
Change in net position					42,463	127,665	170,128	(5,284)
Net position at beginning of year					<u>1,314,299</u>	<u>1,378,924</u>	<u>2,693,223</u>	<u>98,291</u>
Net position at end of year					<u>\$ 1,356,762</u>	<u>\$ 1,506,589</u>	<u>\$ 2,863,351</u>	<u>\$ 93,007</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CITY OF DOUGLASS, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 60,726	\$ 91,307	\$ 152,033
Property taxes receivable	225,646	146,355	372,001
Sales tax receivable	17,187	–	17,187
Franchise fees receivable	<u>6,478</u>	<u>–</u>	<u>6,478</u>
Total assets	<u>\$ 310,037</u>	<u>\$ 237,662</u>	<u>\$ 547,699</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Salaries and wages payable	\$ 3,131	\$ 1,505	\$ 4,636
Accounts payable	<u>1,080</u>	<u>1,959</u>	<u>3,039</u>
Total liabilities	<u>4,211</u>	<u>3,464</u>	<u>7,675</u>
Deferred inflows of resources:			
Property taxes receivable	<u>225,646</u>	<u>146,355</u>	<u>372,001</u>
Fund balances:			
Restricted for:			
General government	–	200	200
Street improvements	–	1,774	1,774
Culture and recreation	–	270	270
Economic development	–	879	879
Capital equipment and improvements	–	67,312	67,312
Debt service	–	17,408	17,408
Committed for:			
General government	61,262	–	61,262
Unassigned	<u>18,918</u>	<u>–</u>	<u>18,918</u>
Total fund balances	<u>80,180</u>	<u>87,843</u>	<u>168,023</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 310,037</u>	<u>\$ 237,662</u>	<u>\$ 547,699</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

December 31, 2014

Total Governmental Fund Balances \$ 168,023

Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

Cost	\$ 2,974,342	
Accumulated depreciation	<u>(1,646,043)</u>	1,328,299

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds:

Prepaid expenses	4,480
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Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable on general obligation bonds	6,554	
Compensated absences payable	7,381	
Capital lease obligation payable	18,105	
General obligation bonds payable	<u>112,000</u>	<u>(144,040)</u>

Net Position of Governmental Activities \$ 1,356,762

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS**

Year ended December 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 553,472	\$ 121,957	\$ 675,429
Special assessment taxes	–	6,269	6,269
Intergovernmental	–	52,531	52,531
Licenses and permits	72,769	–	72,769
Charges for services	20,354	–	20,354
Fines and forfeitures	27,129	–	27,129
Use of money and property	796	–	796
Miscellaneous	<u>17,976</u>	<u>1,228</u>	<u>19,204</u>
Total revenues	<u>692,496</u>	<u>181,985</u>	<u>874,481</u>
Expenditures:			
Current:			
General government	234,426	44,349	278,775
Public safety	131,559	–	131,559
Highways and streets	100,964	104,045	205,009
Health and sanitation	5,457	–	5,457
Culture and recreation	85,630	87,877	173,507
Economic development	–	482	482
Debt Service	<u>–</u>	<u>4,312</u>	<u>4,312</u>
Total expenditures	<u>558,036</u>	<u>241,065</u>	<u>799,101</u>
Revenues over (under) expenditures	<u>134,460</u>	<u>(59,080)</u>	<u>75,380</u>
Other financing sources (uses):			
Transfers in	15,700	64,065	79,765
Transfers out	<u>(134,991)</u>	<u>–</u>	<u>(134,991)</u>
Total other financing sources (uses)	<u>(119,291)</u>	<u>64,065</u>	<u>(55,226)</u>
Revenues and other sources over expenditures and other uses	15,169	4,985	20,154
Fund balances, beginning of year	<u>65,011</u>	<u>82,858</u>	<u>147,869</u>
Fund balances, end of year	<u>\$ 80,180</u>	<u>\$ 87,843</u>	<u>\$ 168,023</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2014

Net Change in Fund Balances – Total Governmental Funds	\$	20,154
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures
however, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these
amounts are:

Capital outlay	\$	155,312
Depreciation		<u>(129,226)</u>

Capital outlays in excess of depreciation expense		26,086
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		(5,837)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position: Capital lease obligation payment		3,552
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds: Prepaid items		(475)
Compensated absences payable		<u>(1,017)</u>

Total		<u>(1,492)</u>
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Change in Net Position of Governmental Activities	\$	<u>42,463</u>
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The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS
(continued on next page)**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 516,346	\$ 580,530	\$ 554,913	\$ (25,617)
Licenses, fees and permits	73,135	76,640	72,535	(4,105)
Charges for services	20,390	20,421	20,354	(67)
Fines and forfeitures	36,760	36,760	27,129	(9,631)
Use of money and property	3,900	3,900	796	(3,104)
Event Revenue	–	–	1,606	1,606
Miscellaneous	3,502	3,502	16,370	12,868
Transfers in	<u>15,700</u>	<u>15,700</u>	<u>15,700</u>	<u>–</u>
 Total revenues and other sources	 <u>669,733</u>	 <u>737,453</u>	 <u>709,403</u>	 <u>(28,050)</u>
Expenditures and other uses:				
General government:				
Administration:				
Personal services	100,500	100,500	101,019	(519)
Contractual services	90,000	90,000	95,068	(5,068)
Commodities	16,000	16,000	15,223	777
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>19,702</u>	<u>(17,202)</u>
 Total Administration Department	 <u>209,000</u>	 <u>209,000</u>	 <u>231,012</u>	 <u>(22,012)</u>
 Planning Department:				
Contractual services	5,000	5,000	3,010	1,990
Commodities	<u>500</u>	<u>500</u>	<u>404</u>	<u>96</u>
 Total Planning Department	 <u>5,500</u>	 <u>5,500</u>	 <u>3,414</u>	 <u>2,086</u>

CITY OF DOUGLASS, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety Department:				
Contractual services	\$ 174,000	\$ 174,000	\$ 128,496	\$ 45,504
Commodities	2,500	2,500	2,705	(205)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>—</u>	<u>1,000</u>
Total Public Safety Department	<u>177,500</u>	<u>177,500</u>	<u>131,201</u>	<u>46,299</u>
Street Department:				
Contractual services	70,000	70,000	69,778	222
Commodities	<u>15,000</u>	<u>15,000</u>	<u>14,769</u>	<u>231</u>
Total Street Department	<u>85,000</u>	<u>85,000</u>	<u>84,547</u>	<u>453</u>
Storm Sewer Department:				
Contractual services	2,500	2,500	2,253	247
Commodities	<u>12,000</u>	<u>12,000</u>	<u>—</u>	<u>12,000</u>
	<u>14,500</u>	<u>14,500</u>	<u>2,253</u>	<u>12,247</u>
Park Department:				
Contractual services	3,500	3,500	1,986	1,514
Commodities	4,500	4,500	1,162	3,338
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>16,514</u>	<u>(6,514)</u>
Total Park Department	<u>18,000</u>	<u>18,000</u>	<u>19,662</u>	<u>(1,662)</u>
Swimming Pool Department:				
Personal services	35,600	35,600	23,249	12,351

CITY OF DOUGLASS, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Contractual services	\$ 7,800	\$ 7,800	\$ 8,101	\$ (301)
Commodities	16,200	16,200	15,184	1,016
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>—</u>	<u>3,000</u>
 Total Swimming Pool Department	 <u>62,600</u>	 <u>62,600</u>	 <u>46,534</u>	 <u>16,066</u>
 Public Health Officer Department:				
Contractual services	2,200	2,200	3,480	(1,280)
Commodities	1,500	1,500	1,512	(12)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>299</u>	<u>701</u>
 Total Public Health Officer Department	 <u>4,700</u>	 <u>4,700</u>	 <u>5,291</u>	 <u>(591)</u>
 Other:				
Senior Citizen Center	1,000	1,000	1,061	(61)
Fire District utilities	250	250	357	(107)
Demolition of condemned structures	15,000	15,000	14,001	999
Sidewalk repairs and improvements	15,000	15,000	14,164	836
Event Expenses	—	—	4,539	(4,539)
Neighborhood revitalization	12,244	12,244	—	12,244
Arts and humanities	500	500	—	500
Economic development	1,000	1,000	—	1,000
Facility improvements	4,778	11,885	—	11,885
Transfers out	<u>96,250</u>	<u>116,400</u>	<u>134,991</u>	<u>(18,591)</u>

CITY OF DOUGLASS, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total other	\$ <u>146,022</u>	\$ <u>173,279</u>	\$ <u>169,113</u>	\$ <u>4,166</u>
Total expenditures, and other uses	<u>722,822</u>	<u>750,079</u>	<u>693,027</u>	<u>57,052</u>
Revenues and other sources over (under) expenditures and other uses	(53,089)	(12,626)	16,376	29,002
Fund balance, beginning of year	<u>53,089</u>	<u>40,139</u>	<u>40,139</u>	<u>—</u>
Fund balance, end of year	\$ <u>—</u>	\$ <u>27,513</u>	\$ <u>56,515</u>	\$ <u>29,002</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 27,020	\$ 14,095	\$ 155	\$ 41,270
Trade accounts receivable	33,728	28,698	16,229	78,655
Restricted assets:				
Cash and investments	<u>118,903</u>	<u>162,602</u>	<u>–</u>	<u>281,505</u>
Total current assets	<u>179,651</u>	<u>205,395</u>	<u>16,384</u>	<u>401,430</u>
Noncurrent assets:				
Property, plant and equipment:				
Land	31,042	109,942	–	140,984
Buildings	125,530	2,055	–	127,585
Improvements other than buildings	1,381,417	2,502,325	–	3,883,742
Machinery and equipment	<u>126,492</u>	<u>193,325</u>	<u>1,879</u>	<u>321,696</u>
	1,664,481	2,807,647	1,879	4,474,007
Less accumulated depreciation	<u>(1,144,717)</u>	<u>(822,853)</u>	<u>(1,879)</u>	<u>(1,969,449)</u>
Property, plant and equipment, net	<u>519,764</u>	<u>1,984,794</u>	<u>–</u>	<u>2,504,558</u>
Total assets	<u>699,415</u>	<u>2,190,189</u>	<u>16,384</u>	<u>2,905,988</u>

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
<u>LIABILITIES</u>				
Current liabilities:				
Salaries and wages payable	\$ 2,787	\$ 3,162	\$ –	\$ 5,949
Accounts payable	1,615	548	–	2,163
Compensated absences payable	3,291	1,393	–	4,684
Current portion of Rural Water District No. 6 note payable	20,226	–	–	20,226
Current portion of KDHE note payable	3,008	103,365	–	106,373
Current portion of capital lease obligation payable	3,676	3,676	–	7,352
Current portion of general obligation bonds payable	20,000	–	–	20,000
Temporary note payable	–	33,500	–	33,500
Accrued interest payable	686	8,722	–	9,408
Total current liabilities	<u>55,289</u>	<u>154,366</u>	<u>–</u>	<u>209,655</u>
Noncurrent liabilities:				
Long-term portion of compensated absences payable	3,416	566	–	3,982
Long-term portion of capital lease obligations payable	14,619	14,430	–	29,049
Long-term portion of general obligation bonds payable	125,000	–	–	125,000
Long-term portion of Rural Water District No. 6 note payable	163,571	–	–	163,571
Long-term portion of KDHE note payable	43,335	824,807	–	868,142
Total other liabilities	<u>349,941</u>	<u>839,803</u>	<u>–</u>	<u>1,189,744</u>
Total liabilities	<u>405,230</u>	<u>994,169</u>	<u>–</u>	<u>1,399,399</u>
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	126,329	1,005,016	–	1,131,345
Restricted for system improvements	118,903	162,602	–	281,505
Unrestricted	48,953	28,402	16,384	93,739
Total net position	<u>\$ 294,185</u>	<u>\$ 1,196,020</u>	<u>\$ 16,384</u>	<u>\$ 1,506,589</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid</u>	<u>Enterprise</u>
	<u>Utility</u>	<u>Utility</u>	<u>Waste</u>	<u>Funds</u>
Operating revenues:				
Charges for services	\$ 431,603	\$ 290,275	\$ 159,656	\$ 881,534
Operating expenses:				
Personal services	156,888	132,572	–	289,460
Contractual services	48,737	26,969	144,393	220,099
Commodities	138,401	19,946	3,994	162,341
Depreciation	47,464	47,012	–	94,476
Total operating expenses	391,490	226,499	148,387	766,376
Operating income	40,113	63,776	11,269	115,158
Nonoperating revenues (expense):				
Interest expense	(14,042)	(28,677)	–	(42,719)
Income before contributions and transfers	26,071	35,099	11,269	72,439
Transfers from other funds	–	70,926	–	70,926
Transfers to other funds	–	–	(15,700)	(15,700)
Change in net position	26,071	106,025	(4,431)	127,665
Net position, beginning of year	268,114	1,089,995	20,815	1,378,924
Net position, end of year	\$ 294,185	\$ 1,196,020	\$ 16,384	\$ 1,506,589

The accompanying notes are an integral
part of the financial statements.

CITY OF DOUGLASS, KANSAS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
(continued on next page)

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid</u>	<u>Enterprise</u>
	<u>Utility</u>	<u>Utility</u>	<u>Waste</u>	<u>Funds</u>
Cash flows from operating activities:				
Cash received from customers	\$ 431,940	\$ 284,208	\$ 160,249	\$ 876,397
Cash payments for materials and services	(186,840)	(46,868)	(148,387)	(382,095)
Cash payments to employees for services	<u>(157,693)</u>	<u>(131,766)</u>	<u>—</u>	<u>(289,459)</u>
Net cash provided by (used for) operating activities	<u>87,407</u>	<u>105,574</u>	<u>11,862</u>	<u>204,843</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9,115)	—	—	(9,115)
Principal paid on Rural Water District No. 6 note payable	(19,991)	—	—	(19,991)
Principal paid on KDHE note payable	(2,904)	(100,427)	—	(103,331)
Principal paid on capital leases	(3,552)	(3,552)	—	(7,104)
Principal paid on general obligation bonds	(20,000)	—	—	(20,000)
Interest paid on debt	<u>(14,085)</u>	<u>(29,651)</u>	<u>—</u>	<u>(43,736)</u>
Net cash provided (used) by capital and related financing activities	<u>(69,647)</u>	<u>(133,630)</u>	<u>—</u>	<u>(203,277)</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	—	70,926	—	70,926
Transfers to other funds	<u>—</u>	<u>—</u>	<u>(15,700)</u>	<u>(15,700)</u>
Net cash flows from noncapital financing activities	<u>—</u>	<u>70,926</u>	<u>(15,700)</u>	<u>55,226</u>
Net increase (decrease) in cash and cash equivalents	17,760	42,870	(3,838)	56,792
Cash and cash equivalents, beginning of year	<u>128,163</u>	<u>133,827</u>	<u>3,993</u>	<u>265,983</u>
Cash and cash equivalents, end of year	<u>\$ 145,923</u>	<u>\$ 176,697</u>	<u>\$ 155</u>	<u>\$ 322,775</u>
Cash and cash equivalents	\$ 27,020	\$ 14,095	\$ 155	\$ 41,270
Restricted cash and cash equivalents included in restricted cash and investments	<u>118,903</u>	<u>162,602</u>	<u>—</u>	<u>281,505</u>
Cash and cash equivalent, end of year	<u>\$ 145,923</u>	<u>\$ 176,697</u>	<u>\$ 155</u>	<u>\$ 322,775</u>

CITY OF DOUGLASS, KANSAS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
(continued from previous page)

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 40,113	\$ 63,776	\$ 11,269	\$ 115,158
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	47,464	47,012	–	94,476
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	336	(6,067)	593	(5,138)
Increase (decrease) in salaries and wages payable	218	117	–	335
Increase (decrease) in accounts payable	299	47	–	346
Increase (decrease) in compensated absences payable	<u>(1,023)</u>	<u>689</u>	<u>–</u>	<u>(334)</u>
Net cash provided by operating activities	<u>\$ 87,407</u>	<u>\$ 105,574</u>	<u>\$ 11,862</u>	<u>\$ 204,843</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DOUGLASS, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water, sewer and solid waste utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Douglass, Kansas (the primary government) and its component units, entities for which the government is considered to be financially accountable. The component unit discussed in the following paragraphs has a December 31st year-end.

Discretely presented component unit

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the City Council. The City's component unit is accounted for using the same principles as the governmental fund types of the City.

The Douglass Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and public donations. The Library Board does not issue separate audited financial statements.

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The City of Douglass has reported retroactively its major general infrastructure assets subsequent to January 1, 1996.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

General Fund – The General Fund is the government’s primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Water Utility Fund – The Water Utility Fund is used to account for and report the operation of the municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – The Sewer Utility Fund is used to account for and report the operation of the municipal sewer utility including the collection and treatment of wastewater.

Solid Waste Fund – The Solid Waste Fund is used to account for and report the operation of the refuse collection and disposal. The City contracts with a third-party service provider for these services.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – The Debt Service Fund accounts for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds – The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and short-term investments

The City pools cash from all funds for the purpose of increasing income through investment activities. Investments are carried at fair value using selected bases. Cash

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deposits are reported at a carrying amount that approximates fair value. For purposes of the statement of cash flows, the Water Utility, Sewer Utility and Solid Waste funds consider all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents.

Investments consist of money market accounts and certificates of deposit. Interest income on investments is credited to the various funds based on their average invested cash balances.

Property taxes receivable

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a ten-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, there were no outstanding special assessment taxes levied.

Sales tax receivable

The City imposes a 2% local sales tax that is collected by the State and remitted to the City

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

on a monthly basis. 1% of the sales tax is allocated 40% for sewer improvements, 30% for street improvements and 30% for property tax relief. The additional 1% local sales tax is to be used to finance the general operations of the City. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

Franchise fees receivable

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

Other taxes and revenues

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year.

Licenses, fees, fines, forfeitures and other revenues are generally not susceptible to accrual and are recorded when received in cash.

Utility accounts receivable

The City records water revenues billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and refuse services are also billed monthly. It is not practicable to estimate unbilled service receivables at December 31, 2014 and, further, the amounts thereof are not material in relation to the financial statements taken as a whole.

Inventories and prepaid items

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

financial statements. The City defines capital assets as assets with an initial individual cost of at least \$500. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include only those assets acquired subsequent to January 1, 1996. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 40 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets and sidewalks)	20 years
Infrastructure (drainage systems)	30 years
Machinery and equipment	3 to 20 years

Amortization

Amortization of the City's right to use the Rural Water District No. 6 water lines is provided on the straight-line method over a 40-year period. Amortization expense for the year ended December 31, 2014 was \$21,152 and is recorded in the Water Utility fund.

Compensated absences

The City's policies regarding vacation permits full-time employees with one year of service to earn 5 days vacation pay, two to nine years of service earn 10 days vacation pay, ten to nineteen years of service earn 15 days vacation pay and twenty or more years of service earn 20 days per year. A maximum of 20 days may be carried over from one year to another with the approval of the City Council. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 320 hours. At termination, an employee shall be compensated for all accumulated vacation pay and all accumulated sick leave is canceled. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued liabilities and long-term debt

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

For governmental funds, bond premiums and discounts (if insignificant in amount), as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount, if significant. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

A long-term liability for the revolving loan notes payable to the Kansas Department of Health and Environment are recorded in the Water Utility and Sewer Utility enterprise funds. Principal payments are deducted from the liability as made.

The capitalized lease obligations are recorded as liabilities in the government-wide financial statements. The capitalized lease obligations are recorded in the Water Utility and Sewer Utility Funds and subsequent lease payment principal amounts are accounted for as reductions in the liability. The principal payments on the capitalized lease obligation recorded in the Special Street and Highway Fund are reported as reductions in the liability for the government-wide financial statements and as debt service expenditures in the fund financial statements.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. The City requires a non-refundable "set up" charge of \$50 for any new water, sewer or solid waste service from the City.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension plans

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

Deferred Inflows of Resources/Deferred Outflows of Resources

Effective January 1, 2012, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources and GASB Statement No. 65 provided additional guidance on reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City identified property taxes receivable as financial balances that meet the definition of a deferred inflow of resources. There were no items identified that were considered a deferred outflow of resources. Additionally, the term "net assets" was replaced with the term "net position".

Equity Classifications

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Net investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

As prescribed by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund balance classifications are based primarily on the extent to which the City is bound to honor

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

constraints on the specific purposes for which amounts in the funds can be expended. In the governmental funds financial statements, equity is classified into potentially five components:

- **Nonspendable** – Assets that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- **Restricted** – Assets with externally imposed constraints such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws or regulations.
- **Committed** – Assets with a purpose formally imposed by resolution or ordinance by the City Council, binding unless modified or rescinded by the City Council.
- **Assigned** – Comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (2) a body or official to whom the City Council has delegated the authority to assign amounts to be used for specific purposes as prescribed by the City's policies.
- **Unassigned** – All amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

In circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

The City has no formal fund balance policies regarding the maintenance of minimum unrestricted fund balances.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The HOME Grant, Siren and Weather Radio Grant and Auto Theft

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance Recovery special revenue funds and the Capital Project fund types are exempted from budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments by the governing body to the originally adopted budget for 2014.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Accordingly, the actual data presented in the budgetary comparison statements can differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles (GAAP). There were no material encumbrances outstanding at December 31, 2014.

Controls over spending in funds that are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

2. DEPOSITS AND INVESTMENTS

Deposits

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's

2. DEPOSITS AND INVESTMENTS (continued)

funds have a main or branch bank in the county, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. The rating of the City's investments is noted above.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of deposits and investments as of December 31, 2014, is as follows:

<u>Investment Institution</u>	<u>Percentage of Investments</u>
CornerBank	100%

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to the City. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipts issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, Kansas.

At year-end, the carrying amount of the City's deposits was \$473,748 with the bank balances of such accounts being \$474,147. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining balance of \$224,147 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial banks was \$424,729 at December 31, 2014.

The City's component units' cash and investments at December 31, 2014 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component units' deposits were \$87,830 and the bank balances were \$89,329, which were entirely covered by federal depository insurance.

2. DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk – investments

For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State statutes require investments to be adequately secured.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2014 is as follows:

Cash on hand	\$ 1,060
Carrying amount of deposits – City	473,748
Carrying amount of deposits – component unit	<u>87,830</u>
Total	<u>\$ 562,638</u>
Amounts per statement of net position:	
Cash including investments	\$ 193,303
Component unit cash	87,830
Restricted cash and investments	<u>281,505</u>
Total	<u>\$ 562,638</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2014 is as follows:

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	<u>\$ 124,937</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 124,937</u>
Capital assets being depreciated:				
Buildings and improvements	523,016	27,150	11,465	538,701
Infrastructure - streets	1,548,603	103,753	—	1,652,356
Infrastructure – sidewalks	203,017	—	—	203,017
Infrastructure – drainage systems	83,294	—	—	83,294
Machinery and equipment	<u>349,155</u>	<u>24,409</u>	<u>1,527</u>	<u>372,037</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Total capital assets being depreciated	<u>\$2,707,085</u>	<u>\$ 155,312</u>	<u>\$12,992</u>	<u>\$ 2,849,405</u>
Less accumulated depreciation for:				
Buildings and improvements	303,159	17,036	11,465	308,730
Infrastructure - streets	835,845	82,620	—	918,465
Infrastructure – sidewalks	66,682	7,445	—	74,127
Infrastructure – drainage systems	23,556	2,920	—	26,476
Machinery and equipment	<u>300,567</u>	<u>19,205</u>	<u>1,527</u>	<u>318,245</u>
Total accumulated depreciation	<u>1,529,809</u>	<u>129,226</u>	<u>12,992</u>	<u>1,646,043</u>
Total capital assets being depreciated, net	<u>1,177,276</u>	<u>26,086</u>	<u>—</u>	<u>1,203,362</u>
Governmental activities capital assets, net	<u>\$1,302,213</u>	<u>\$ 26,086</u>	<u>\$ —</u>	<u>\$ 1,328,299</u>

Business-Type Activities:

Capital assets not being depreciated:				
Land	<u>\$ 140,984</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 140,984</u>
Capital assets being depreciated:				
Buildings	127,585	—	—	127,585
Improvements other than buildings	3,888,287	—	4,545	3,883,742
Machinery and equipment	<u>326,264</u>	<u>9,115</u>	<u>13,683</u>	<u>321,696</u>
Total capital assets being depreciated	<u>4,342,136</u>	<u>9,115</u>	<u>18,228</u>	<u>4,333,023</u>
Less accumulated depreciation for:				
Buildings	44,457	3,121	—	47,578
Improvements other than buildings	1,561,473	70,822	4,545	1,627,750
Machinery and equipment	<u>287,271</u>	<u>20,533</u>	<u>13,683</u>	<u>294,121</u>
Total accumulated depreciation	<u>1,893,201</u>	<u>94,476</u>	<u>18,228</u>	<u>1,969,449</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
Total capital assets being depreciated, net	<u>\$2,448,935</u>	<u>\$ (85,361)</u>	<u>\$ —</u>	<u>\$ 2,363,574</u>
Business-type activities capital assets, net	<u>\$2,589,919</u>	<u>\$ (85,361)</u>	<u>\$ —</u>	<u>\$ 2,504,558</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,596
Public safety	1,113
Highways and streets (including infrastructure)	110,085
Health and sanitation	155
Culture and recreation	<u>9,277</u>
Total depreciation expense – governmental activities	<u>\$ 129,226</u>
Business-type activities:	
Water Utility	\$ 47,464
Sewer Utility	<u>47,012</u>
Total depreciation expense – business-type activities	<u>\$ 94,476</u>

4. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2014:

	Outstanding January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$ 112,000	\$ —	\$ —	\$ 112,000	\$ 7,000
Capital lease obligations	21,657	—	3,552	18,105	3,676
Compensated absences	<u>6,364</u>	<u>6,684</u>	<u>5,667</u>	<u>7,381</u>	<u>3,206</u>
Total long-term liabilities – Governmental activities	<u>\$ 140,021</u>	<u>\$ 6,684</u>	<u>\$ 9,219</u>	<u>\$ 137,486</u>	<u>\$ 13,882</u>

4. LONG-TERM DEBT (continued)

	Outstanding January 1, 2014	Additions	Deletions	Outstanding December 31, 2014	Due Within One Year
<u>Business-type activities</u>					
KDHE notes payable	\$1,077,846	\$ —	\$ 103,331	\$ 974,515	\$ 106,373
RWD No. 6 contract payable	203,788	—	19,991	183,797	20,226
General obligation bonds	165,000	—	20,000	145,000	20,000
Capital lease obligations	43,505	—	7,104	36,401	7,352
Temporary notes	33,500	—	—	33,500	33,500
Compensated absences	9,000	10,949	11,283	8,666	4,684
Total long-term liabilities – Business-Type activities	<u>\$1,532,639</u>	<u>\$ 10,949</u>	<u>\$ 161,709</u>	<u>\$ 1,381,879</u>	<u>\$ 192,135</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2024. At December 31, 2014 the bonds consist of the following:

	Interest rates	Bonds outstanding
General Obligation Bonds, Series A, 2010, issued November 30, 2010	1.25 – 3.75%	\$ 110,000
General Obligation Bonds, Series A, 2011, issued May 2, 2011	3.00 – 4.00%	35,000
General Obligation Bonds, Series 2013, Issued October 30, 2013	3.25 – 4.25%	<u>112,000</u>
Total general obligation bonds outstanding		257,000
Less debt service from Water Utility Fund		<u>(145,000)</u>
Total general obligation bond payable from Debt Service Fund		<u>\$ 112,000</u>

The Series 2010 Bonds maturing in the years 2017, and thereafter, may be called for redemption and payment prior to their respective maturities on August 1, 2016 or thereafter, as a whole or in part, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption.

The Series 2011 are term Bonds maturing in the years 2021 may be called for redemption and payment prior to their respective maturities, on August 1, 2016, or thereafter, as a whole or in part, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption.

4. LONG-TERM DEBT (continued)

The Series 2013 Bonds are term bonds maturing in the amounts of \$47,000 and \$65,000 on August 1, 2019 and August 1, 2024, respectively. Each of the bonds maturing August 1, 2019 and August 1, 2024 shall be subject to mandatory redemption beginning August 1, 2015 and continuing through August 1, 2024 pursuant to the redemption schedule set forth in the Bond Resolution. The Bonds maturing in the years 2019 inclusive, shall become due and payable on their respective maturity dates without the option of prior call for redemption. At the option of the City, the Bonds maturing August 1, 2014 and thereafter, may be called for redemption and payment prior to their respective maturities, on August 1, 2019 or thereafter, as a whole or in part, as determined by the City at any time, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption, without premium.

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future ad valorem taxes. Annual debt service requirements to maturity for general obligation bonds outstanding at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,000	\$ 7,519	\$ 14,519
2016	10,000	4,063	14,063
2017	10,000	3,737	13,737
2018	10,000	3,413	13,413
2019	10,000	3,087	13,087
2020	10,000	2,763	12,763
2021	10,000	2,337	12,337
2022	15,000	1,913	16,913
2023	15,000	1,275	16,275
2024	<u>15,000</u>	<u>637</u>	<u>15,637</u>
	<u>\$ 112,000</u>	<u>\$ 30,744</u>	<u>\$ 142,744</u>

General obligation bonds payable from Water Utility Fund

Remaining debt service requirements for general obligation bonds to be paid from the Water Utility Fund are listed as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,000	\$ 4,615	\$ 24,615
2016	20,000	4,150	24,150
2017	20,000	3,625	23,625
2018	20,000	3,013	23,013
2019	20,000	2,362	22,362

4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,000	\$ 1,675	\$ 21,675
2021	<u>25,000</u>	<u>950</u>	<u>25,950</u>
	<u>\$ 145,000</u>	<u>\$ 20,390</u>	<u>\$ 165,390</u>

Rural Water District No. 6 contract payable

During 1982, the City entered into a contract with the Rural Water District No. 6 to purchase water from the El Dorado reservoir. Under the terms of the contract, the City is to reimburse the Rural Water District the sum of \$499,071 to fund the debt service costs in constructing their water line to the City. The amount is being financed over a period of 40 years at 5% interest. The monthly payments are \$2,424, including principal and interest, in addition to the monthly cost of water purchased from Rural Water District No. 6. The outstanding principal amount of the contract at December 31, 2014 was \$183,797.

The water line maintenance and ownership remains with the Rural Water District and the water line rights of the City have been recorded as an asset on the statement of net position of the City's Water Utility fund and are being amortized over the life of the contract. Annual debt service requirements to maturity under the terms of the contract are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,226	\$ 8,862	\$ 29,088
2016	21,182	7,906	29,088
2017	22,278	6,810	29,088
2018	23,430	5,658	29,088
2019	24,641	4,447	29,088
2020	25,915	3,173	29,088
2021	27,255	1,833	29,088
2022	<u>18,870</u>	<u>368</u>	<u>19,238</u>
	<u>\$ 183,797</u>	<u>\$ 39,057</u>	<u>\$ 222,854</u>

Kansas Department of Health & Environment (KDHE) notes payable

In January 1999, the City Council approved a loan agreement in the principal amount of \$721,500 with the Kansas Department of Health and Environment to provide financing for the acquisition, construction, improvement, repair and extension of the City's wastewater treatment system. The agreement provides for semi-annual payments, including interest at a rate of 3.18%, in the amount of \$24,516 beginning September 1, 1999 with final payment due March 1, 2019. Annual debt service requirements to maturity under the terms of the contract are as follows:

4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 42,880	\$ 6,152	\$ 49,032
2016	44,254	4,778	49,032
2017	45,673	3,359	49,032
2018	47,137	1,895	49,032
2019	<u>24,131</u>	<u>385</u>	<u>24,516</u>
	<u>\$ 204,075</u>	<u>\$ 16,569</u>	<u>\$ 220,644</u>

In April 2004, the City Council approved another loan agreement in the maximum principal amount of \$1,500,000 with the Kansas Department of Health and Environment to provide financing for the acquisition, construction, improvement, repair and extension of the City's wastewater treatment system. The agreement provides for semi-annual payments, including interest at a rate of 2.46%, in the amount of \$48,824 beginning September 1, 2005 with final payment due March 1, 2025, assuming the maximum loan commitment amount is utilized by the City. The City did not utilize the full amount of the approved loan and the payment schedule was revised beginning September 1, 2008 providing for semiannual payments in the amount of \$39,850, including interest. Annual debt service requirements to maturity under the revised terms of the contract for the outstanding loan balance at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,485	\$ 19,215	\$ 79,700
2016	62,135	17,565	79,700
2017	63,830	15,870	79,700
2018	65,572	14,128	79,700
2019	67,361	12,339	79,700
2020	69,199	10,501	79,700
2021	71,087	8,613	79,700
2022	73,026	6,674	79,700
2023	75,019	4,681	79,700
2024	77,065	2,635	79,700
2025	<u>39,318</u>	<u>532</u>	<u>39,850</u>
	<u>\$ 724,097</u>	<u>\$ 112,753</u>	<u>\$ 836,850</u>

In April 2006, the City Council approved a loan agreement in the maximum principal amount of \$65,843 with the Kansas Department of Health and Environment to provide financing for the construction of a well house and purchase of water pipe and associated appurtenances for the City's water system. The agreement provides for semi-annual payments, including interest at a rate of 3.53%, in the amount of \$2,309 beginning August 1, 2007 with final payment due February 1, 2027. Annual debt service requirements to

4. LONG-TERM DEBT (continued)

maturity under the terms of the contract for the outstanding loan balance at December 31, 2014 is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,009	\$ 1,609	\$ 4,618
2016	3,115	1,503	4,618
2017	3,226	1,392	4,618
2018	3,341	1,277	4,618
2019	3,460	1,158	4,618
2020	3,583	1,035	4,618
2021	3,711	907	4,618
2022	3,843	775	4,618
2023	3,980	638	4,618
2024	4,122	496	4,618
2025	4,268	350	4,618
2026	4,420	198	4,618
2027	<u>2,265</u>	<u>44</u>	<u>2,309</u>
	<u>\$ 46,343</u>	<u>\$ 11,382</u>	<u>\$ 57,725</u>

Capital lease obligation payable

During 2011, the City Council entered into a lease agreement with a vendor for the purchase of a new loader/backhoe. The lease agreement provides for annual payments of \$12,936, including principal and interest, beginning February 15, 2011 through February 15, 2016. The agreement provides for a balloon payment of \$45,000 on February 15, 2016. In addition, the new lease agreement provided for the retirement of the then outstanding lease obligation of \$38,613 on the equipment included on the trade for the new loader/backhoe. The lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the minimum payments at the date of the lease inception.

It is the City's intent to fund the debt service payments from the Special Street and Highway, Water Utility and Sewer Utility funds. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2014, including interest payments, is as follows:

<u>Year Ending December 31,</u>	<u>Special Street & Highway Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
2015	\$ 4,312	\$ 4,312	\$ 4,312	\$ 12,936
2016	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>45,000</u>

4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Special Street & Highway Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Total minimum lease payments	\$ 19,312	\$ 19,312	\$ 19,312	\$ 57,936
Less amounts representing interest	<u>(1,207)</u>	<u>(1,017)</u>	<u>(1,206)</u>	<u>(3,430)</u>
Present value of net minimum lease payments	<u>\$ 18,105</u>	<u>\$ 18,295</u>	<u>\$ 18,106</u>	<u>\$ 54,506</u>

The cost of the equipment and accumulated depreciation at December 31, 2014 was \$96,484 and \$70,735, respectively.

Temporary notes payable

Kansas statutes permit the issuance of temporary notes to finance certain capital improvement projects, which will be refinanced with general obligation bonds or other legally available resources of the City. Prior to the issuance of the temporary notes, the governing body must take the necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. During 2014, the City neither issued nor retired any temporary notes and at December 31, 2014 the City had the following outstanding temporary notes:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Wastewater Utility Sludge Removal Project: Temporary Improvement Notes, Series A, 2011	1.75%	\$ 33,500	9-15-15

During 2014, the temporary note activity was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 33,500	\$ —	\$ —	\$ 33,500

5. WATER AND SEWER REPLACEMENT RESERVES

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future replacement of the water and sewer systems. Net position have been reserved for the portion of assets legally restricted for future water and sewer system replacements.

6. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2014, individual project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

	<u>Project authorization</u>	<u>Expenditures project inception to December 31, 2014</u>
Development Plan Improvement Project	\$ 112,000	\$111,691
Wastewater System Sludge Removal Project	33,500	32,583

7. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balances at December 31, 2014	\$ 80,180	\$ 87,843
Adjustments:		
Accrued sales tax revenues	(17,187)	—
Accrued franchise fee revenues	(6,478)	—
Unreserved fund balances not subject to the Kansas budget law	<u>—</u>	<u>(68,391)</u>
Budgetary Fund Balances at December 31, 2014	<u>\$ 56,515</u>	<u>\$ 19,452</u>

8. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 5% of covered salary for employees hired prior to July 1, 2009 and 6% for employees hired on or after July 1, 2009. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, for the period from January 1, 2014 to December 31, 2014 was 9.69%. Included in this rate is the contribution for Group Death and Disability Insurance of .85%. The City's contributions to KPERS for the years ending December 31, 2014, 2013 and 2012 were \$32,759, \$28,764 and \$26,172, respectively, equal to the statutory required contributions for each year.

9. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 15,700	\$134,991
Sewer Utility	70,926	—
Solid Waste Utility	—	15,700
Total transfers for major funds	<u>86,626</u>	<u>150,691</u>
Nonmajor Funds:		
Employee Benefits	120	—
Capital Improvement Reserve Streets	35,945	—
Capital Improvement Reserve Pool	<u>28,000</u>	<u>—</u>

9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Total transfers for nonmajor funds	<u>\$ 64,065</u>	<u>\$ —</u>
Total transfers	<u>\$150,691</u>	<u>\$150,691</u>

Routine transfers from the General Fund to the Capital Improvement Reserve Streets Fund and the Sewer Utility Fund in the amounts of \$35,945 and \$47,926, respectively, represent 30% and 40% of the local 1% sales tax collections for the year, respectively, and such transfers are established by Ordinance.

The non-routine transfer from the Solid Waste Fund to the General Fund in the amount of \$15,700 was made to provide for general administration expenses attributable to solid waste operations. In addition, the General Fund transferred \$28,000 to the Capital Improvements Reserve Pool Fund to provide for future swimming pool improvements. The General Fund transferred \$120 to the Employee Benefits Fund to cover a shortfall in revenues in the Employee Benefits Fund during 2014. The General Fund also transferred \$23,000 to the Sewer Improvement Reserve to provide for future sewer system improvements.

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The City provides no other postemployment benefits, other than retirement plans, to former employees of the City.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

11. COMMITMENTS AND CONTINGENCIES

During 2015 the City was awarded a Community Development Block Grant from the Kansas Department of Commerce in the amount of \$499,931 to replace approximately 7,150 linear feet of waterlines throughout the City. The Kansas Department of Health and Environment will provide \$500,000 in matching funds for the project.

11. COMMITMENTS AND CONTINGENCIES (continued)

In addition, during 2015 the City entered into a loan agreement with Kansas Department of Health and Environment to provide financing for sanitary sewer reconstruction to replace existing failing sewer pipe and manholes that can no longer be reconditioned. The loan agreement provides for a maximum loan commitment of \$500,000 at an interest rate of 2.20% with semiannual payments on March 1 and September 1 of each year beginning March 1, 2017. The payments due March 1, 2017 through March 1, 2019 include interest only and are estimated at approximately \$5,600. Beginning September 1, 2019 the semiannual payments include principal and interest and are estimated at \$17,272. At December 31, 2014, there were no drawdowns by the City under the loan agreement.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 11, 2015, the date on which the financial statements were available to be issued.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

Special Street and Highway Fund – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

Library Fund – to account for the funding for the operation of the municipal library.

Employee Benefits Fund – to account for the funding of unemployment compensation, workers' compensation, social security, Medicare and pension contributions.

HOME Grant Fund – to account for the resources from the HOME federal grant program to provide rehabilitation financing assistance to eligible homeowners.

Siren and Weather Radio Grant Fund – to account for the resources from grant programs designed to provide the City with assistance in securing a new storm-warning siren and also for obtaining weather radios for distribution to the public to enhance severe weather alerts.

NONMAJOR DEBT SERVICE FUND

Debt Service Fund – to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NONMAJOR CAPITAL PROJECT FUNDS

Development Plan Project Fund – to account for the financial resources to be used for the acquisition and development of a major economic development site.

Capital Equipment Reserve Administration Fund – to account for the funding mechanism to secure the orderly acquisition and replacement of equipment for administrative operations of the City.

Capital Improvement Reserve Streets Fund — to account for the funding mechanism to secure the orderly improvement and replacement of City streets.

Capital Improvement Reserve Pool Fund — to account for the funding mechanism to secure the orderly maintenance and improvement of the City's swimming pool.

Capital Improvement Reserve Administration Fund – to account for the funding mechanism to secure the orderly maintenance and improvement for general public improvements of the City.

CITY OF DOUGLASS, KANSAS

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS

December 31, 2014

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash including short-term investments	\$ 5,708	\$ 17,408	\$ 68,191	\$ 91,307
Property taxes receivable	<u>140,332</u>	<u>6,023</u>	<u>–</u>	<u>146,355</u>
Total	<u>\$ 146,040</u>	<u>\$ 23,431</u>	<u>\$ 68,191</u>	<u>\$ 237,662</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Salaries and wages payable	\$ 1,505	\$ –	\$ –	\$ 1,505
Accounts payable	<u>1,959</u>	<u>–</u>	<u>–</u>	<u>1,959</u>
Total liabilities	<u>3,464</u>	<u>–</u>	<u>–</u>	<u>3,464</u>
Deferred inflows of resources:				
Property taxes receivable	<u>140,332</u>	<u>6,023</u>	<u>–</u>	<u>146,355</u>
Fund Balances:				
Restricted for:				
General government	200	–	–	200
Street improvements	1,774	–	–	1,774
Culture and recreation	270	–	–	270
Economic development	–	–	879	879
Capital equipment and improvements	–	–	67,312	67,312
Debt service	<u>–</u>	<u>17,408</u>	<u>–</u>	<u>17,408</u>
Total fund balances	<u>2,244</u>	<u>17,408</u>	<u>68,191</u>	<u>87,843</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 146,040</u>	<u>\$ 23,431</u>	<u>\$ 68,191</u>	<u>\$ 237,662</u>

CITY OF DOUGLASS, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2014

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ 121,957	\$ —	\$ —	\$ 121,957
Special assessment taxes	—	6,269	—	6,269
Intergovernmental	52,531	—	—	52,531
Miscellaneous	<u>1,228</u>	<u>—</u>	<u>—</u>	<u>1,228</u>
Total revenues	<u>175,716</u>	<u>6,269</u>	<u>—</u>	<u>181,985</u>
Expenditures:				
General government	30,978	—	13,371	44,349
Highways and streets	61,591	—	42,454	104,045
Culture and recreation	87,877	—	—	87,877
Economic development	12	—	470	482
Debt service:				
Principal	3,552	—	—	3,552
Interest	<u>760</u>	<u>—</u>	<u>—</u>	<u>760</u>
Total expenditures	<u>184,770</u>	<u>—</u>	<u>56,295</u>	<u>241,065</u>
Expenditures over revenues	(9,054)	6,269	(56,295)	(59,080)
Other financing sources:				
Transfers in	<u>120</u>	<u>—</u>	<u>63,945</u>	<u>64,065</u>
Net change in fund balances	(8,934)	6,269	7,650	4,985
Fund balances, beginning of year	<u>11,178</u>	<u>11,139</u>	<u>60,541</u>	<u>82,858</u>
Fund balances, end of year	<u>\$ 2,244</u>	<u>\$ 17,408</u>	<u>\$ 68,191</u>	<u>\$ 87,843</u>

CITY OF DOUGLASS, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

December 31, 2014

	<u>Special Street And Highway</u>	<u>Library</u>	<u>Employee Benefits</u>	<u>HOME Grant</u>	<u>Siren and Weather Radio Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>						
Cash and investments	\$ 4,434	\$ 270	\$ 804	\$ –	\$ 200	\$ 5,708
Taxes receivable	–	73,835	66,497	–	–	140,332
Total assets	<u>\$ 4,434</u>	<u>\$ 74,105</u>	<u>\$ 67,301</u>	<u>\$ –</u>	<u>\$ 200</u>	<u>\$ 146,040</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>						
Liabilities:						
Salaries and wages payable	\$ 1,505	\$ –	\$ –	\$ –	\$ –	\$ 1,505
Accounts payable	1,155	–	804	–	–	1,959
Total liabilities	<u>2,660</u>	<u>–</u>	<u>804</u>	<u>–</u>	<u>–</u>	<u>3,464</u>
Deferred inflows of resources:						
Property taxes receivable	–	73,835	66,497	–	–	140,332
Fund balances:						
Restricted for:						
General government	–	–	–	–	200	200
Street improvements	1,774	–	–	–	–	1,774
Culture and recreation	–	270	–	–	–	270
Total fund balances	<u>1,774</u>	<u>270</u>	<u>–</u>	<u>–</u>	<u>200</u>	<u>2,244</u>
Total liabilities, deferred Inflows and fund balances	<u>\$ 4,434</u>	<u>\$ 74,105</u>	<u>\$ 67,301</u>	<u>\$ –</u>	<u>\$ 200</u>	<u>\$ 146,040</u>

CITY OF DOUGLASS, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**

Year ended December 31, 2014

	<u>Special Street and Highway</u>	<u>Library</u>	<u>Employee Benefits</u>	<u>HOME Grant</u>	<u>Siren and Weather Radio Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:						
Taxes	\$ -	\$ 80,746	\$ 41,211	\$ -	\$ -	\$ 121,957
Intergovernmental	52,519	-	-	12	-	52,531
Miscellaneous	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228</u>
Total revenues	<u>53,747</u>	<u>80,746</u>	<u>41,211</u>	<u>12</u>	<u>-</u>	<u>175,716</u>
Expenditures:						
General government	-	-	30,978	-	-	30,978
Highways and streets	48,908	-	12,683	-	-	61,591
Culture and recreation	-	80,746	7,131	-	-	87,877
Economic development	-	-	-	12	-	12
Debt service	<u>4,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,312</u>
Total expenditures	<u>53,220</u>	<u>80,746</u>	<u>50,792</u>	<u>12</u>	<u>-</u>	<u>184,770</u>
Revenues over (under) expenditures	527	-	(9,581)	-	-	(9,054)
Other financing sources:						
Transfers in	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>120</u>
Net change in fund balances	527	-	(9,461)	-	-	(8,934)
Fund balances, beginning of year	<u>1,247</u>	<u>270</u>	<u>9,461</u>	<u>-</u>	<u>200</u>	<u>11,178</u>
Fund balances, end of year	<u>\$ 1,774</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 2,244</u>

CITY OF DOUGLASS, KANSAS

SPECIAL STREET AND HIGHWAY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 52,720	\$ 52,720	\$ 52,519	\$ (201)
Miscellaneous	<u>500</u>	<u>500</u>	<u>1,228</u>	<u>728</u>
	<u>53,220</u>	<u>53,220</u>	<u>53,747</u>	<u>527</u>
Expenditures:				
Personal services	42,500	42,500	41,349	1,151
Contractual services	2,408	2,408	3,197	(789)
Commodities	4,000	4,000	4,362	(362)
Debt service	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>—</u>
Total expenditures	<u>53,220</u>	<u>53,220</u>	<u>53,220</u>	<u>—</u>
Revenues over expenditures	—	—	527	527
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>1,247</u>	<u>1,247</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,774</u>	<u>\$ 1,774</u>

CITY OF DOUGLASS, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 82,328	\$ 82,328	\$ 80,746	\$ (1,582)
Expenditures:				
Appropriation to Library Board	79,063	79,063	80,746	(1,683)
Neighborhood Revitalization Rebates	<u>3,265</u>	<u>3,265</u>	<u>—</u>	<u>3,265</u>
Total expenditures	<u>82,328</u>	<u>82,328</u>	<u>80,746</u>	<u>1,582</u>
Revenues over expenditures	—	—	—	—
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>270</u>	<u>270</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 270</u>	<u>\$ 270</u>

CITY OF DOUGLASS, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 40,797	\$ 40,797	\$ 41,211	\$ 414
Transfers in	<u>—</u>	<u>—</u>	<u>120</u>	<u>120</u>
Total revenues	<u>40,797</u>	<u>40,797</u>	<u>41,331</u>	<u>534</u>
Expenditures:				
FICA and Medicare	13,900	13,900	12,540	1,360
KPERS	14,250	14,250	13,829	421
Unemployment insurance	5,000	5,000	4,840	160
Health insurance	9,500	9,500	13,970	(4,470)
Dental insurance	1,450	1,450	707	743
Disability insurance	5,300	5,300	4,140	1,160
Insurance – general	500	500	766	(266)
Neighborhood Revitalization				
Rebates	<u>1,606</u>	<u>1,606</u>	<u>—</u>	<u>1,606</u>
Total expenditures	<u>51,506</u>	<u>51,506</u>	<u>50,792</u>	<u>714</u>
Revenues over (under)				
Expenditures	(10,709)	(10,709)	(9,461)	1,248
Fund balance,				
beginning of year	<u>10,709</u>	<u>10,709</u>	<u>9,461</u>	<u>(1,248)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

CITY OF DOUGLASS, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND
ACTUAL - BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessment taxes	\$ 100	\$ 100	\$ 6,269	\$ 6,169
Expenditures:				
Bond Principal	<u>2,418</u>	<u>2,418</u>	<u>—</u>	<u>2,418</u>
Revenues over (under)				
expenditures	(2,318)	(2,318)	6,269	8,587
Fund balance, beginning				
of year	<u>2,318</u>	<u>2,318</u>	<u>11,139</u>	<u>8,821</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,408</u>	<u>\$ 17,408</u>

CITY OF DOUGLASS, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS**

Year ended December 31, 2014

	<u>Develop- ment Plan Project</u>	<u>Capital Equipment Reserve Administration</u>	<u>Capital Improvement Reserve Streets</u>	<u>Capital Improvement Reserve Pool</u>	<u>Capital Improvement Reserve Administration</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:						
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Expenditures:						
General government	—	—	—	—	13,371	13,371
Highways and streets	—	—	42,454	—	—	42,454
Economic development	<u>470</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>470</u>
Total expenditures	<u>470</u>	<u>—</u>	<u>42,454</u>	<u>—</u>	<u>13,371</u>	<u>56,295</u>
Expenditures over revenues	(470)	—	(42,454)	—	(13,371)	(56,295)
Other financing sources:						
Transfers in	<u>—</u>	<u>—</u>	<u>35,945</u>	<u>28,000</u>	<u>—</u>	<u>63,945</u>
Net change in fund balances	(470)	—	(6,509)	28,000	(13,371)	7,650
Fund balances, beginning of year	<u>1,349</u>	<u>4,026</u>	<u>29,795</u>	<u>12,000</u>	<u>13,371</u>	<u>60,541</u>
Fund balances, end of year	<u>\$ 879</u>	<u>\$ 4,026</u>	<u>\$ 23,286</u>	<u>\$ 40,000</u>	<u>\$ —</u>	<u>\$ 68,191</u>

CITY OF DOUGLASS, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS

December 31, 2014

	Develop- ment Plan Project	Capital Equipment Reserve Administration	Capital Improvement Reserve Streets	Capital Improvement Reserve Pool	Capital Improvement Reserve Administration	Total Nonmajor Capital Project Funds
<u>ASSETS</u>						
Cash and investments	\$ 879	\$ 4,026	\$ 23,286	\$ 40,000	\$ —	\$ 68,191
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Fund balances:						
Restricted for:						
Capital equipment and improvements	—	4,026	23,286	40,000	—	67,312
Economic development	879	—	—	—	—	879
Total fund balances	879	4,026	23,286	40,000	—	68,191
Total liabilities and fund balances	\$ 879	\$ 4,026	\$ 23,286	\$ 40,000	\$ —	\$ 68,191

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Water Utility – to account for the operation of municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – to account for the operation of sewer utility including the collection and treatment of wastewater.

Solid Waste Fund – to account for the operation of refuse utility including the collection and disposal of solid waste.

CITY OF DOUGLASS, KANSAS

WATER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 440,750	\$ 440,750	\$ 431,594	\$ (9,156)
Use of money and property	65	65	–	(65)
Miscellaneous	<u>–</u>	<u>–</u>	<u>10</u>	<u>10</u>
Total revenues	<u>440,815</u>	<u>440,815</u>	<u>431,604</u>	<u>(9,211)</u>
Expenditures:				
Personal services	158,500	158,500	157,911	589
Contractual services	57,500	57,500	48,737	8,763
Commodities	178,500	178,500	138,401	40,099
Capital Outlay	10,000	10,000	9,115	885
Debt service	63,050	63,050	60,533	2,517
Transfers out	<u>4,251</u>	<u>4,251</u>	<u>4,251</u>	<u>–</u>
Total expenditures	<u>471,801</u>	<u>471,801</u>	<u>418,948</u>	<u>52,853</u>
Revenues over (under) expenditures	(30,986)	(30,986)	12,656	43,642
Fund balance, beginning of year	<u>30,986</u>	<u>30,986</u>	<u>43,690</u>	<u>12,704</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 56,346</u>	<u>\$ 56,346</u>

CITY OF DOUGLASS, KANSAS

SEWER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 269,050	\$ 269,050	\$ 290,275	\$ 21,225
Use of money and property	50	50	—	(50)
Transfers in	<u>39,000</u>	<u>39,000</u>	<u>47,926</u>	<u>8,926</u>
Total revenues	<u>308,100</u>	<u>308,100</u>	<u>338,201</u>	<u>30,101</u>
Expenditures:				
Personal services	121,000	121,000	131,883	(10,883)
Contractual services	44,000	44,000	26,969	17,031
Commodities	19,000	19,000	19,945	(945)
Capital outlay	5,000	5,000	—	5,000
Debt service	133,045	133,045	125,327	7,718
Transfers out	<u>17,257</u>	<u>17,257</u>	<u>29,239</u>	<u>(11,982)</u>
Total expenditures	<u>339,302</u>	<u>339,302</u>	<u>333,363</u>	<u>5,939</u>
Revenues over (under) expenditures	(31,202)	(31,202)	4,838	36,040
Fund balance, beginning of year	<u>31,202</u>	<u>31,202</u>	<u>34,245</u>	<u>3,043</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,083</u>	<u>\$ 39,083</u>

CITY OF DOUGLASS, KANSAS

SOLID WASTE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 157,500	\$ 157,500	\$ 159,656	\$ 2,156
Expenditures:				
Contractual services	146,625	146,625	144,393	2,232
Commodities	3,693	3,693	3,994	(301)
Transfers out	<u>15,700</u>	<u>15,700</u>	<u>15,700</u>	<u>—</u>
Total expenditures	<u>166,018</u>	<u>166,018</u>	<u>164,087</u>	<u>1,931</u>
Revenues over (under) expenditures	(8,518)	(8,518)	(4,431)	4,087
Fund balance, beginning of year	<u>8,518</u>	<u>8,518</u>	<u>20,815</u>	<u>12,297</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,384</u>	<u>\$ 16,384</u>

COMPONENT UNIT

The Douglass Public Library is reported as a discretely presented component unit with the financial statements of the City of Douglass (the reporting entity) to emphasize its separate legal status. The Douglass Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, fines and donations from the public. The following funds are used to account for the operations of the Douglass Public Library:

General Fund – all operating activities of the Library Board are accounted for within this fund.

CITY OF DOUGLASS, KANSAS
GENERAL FUND BALANCE SHEET – DOUGLASS PUBLIC
LIBRARY

December 31, 2014

ASSETS

Cash and investments	\$ <u>87,830</u>
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LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 29,940

Fund balance:	
Unassigned	<u>57,890</u>

Total liabilities and fund balance	\$ <u>87,830</u>
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Reconciliation to Statement of Net Position:	
Fund balance per above	\$ 57,890
Add capital assets	69,572
Less accumulated depreciation on capital assets	<u>(34,455)</u>
Net position	\$ <u>93,007</u>

CITY OF DOUGLASS, KANSAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND –
DOUGLASS PUBLIC LIBRARY**

Year ended December 31, 2014

Revenues:

Appropriation from City of Douglass	\$ 80,746
Appropriation from Douglass Township	8,000
Appropriation from Rock Creek Township	3,155
South Central Kansas Library System grants	12,632
State aid	894
Other grants	1,849
Contributions from Friends of the Library	1,550
Interest earnings	54
Fines and fees	2,488
Memorials and donations	2,831
Sale of painting	<u>10,075</u>
Total revenues	<u>124,274</u>

Expenditures:

Salaries, wages and payroll taxes	55,157
Purchase of books, periodicals and other media	16,429
Utilities	6,140
Building and equipment maintenance	34,450
Insurance	1,800
Supplies	4,409
Technology, equipment and improvements	4,925
Miscellaneous	<u>2,944</u>
Total expenditures	<u>126,254</u>

Revenues over expenditures	(1,980)
Fund balance, beginning of year	<u>59,870</u>

Fund balance, end of year \$ 57,890

Reconciliation of change in net position:

Revenues over expenditures per above	\$ (1,980)
Add current year assets capitalized	3,773
Less current year depreciation on capital assets	<u>(7,077)</u>

Change in net position \$ (5,284)